

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Budget Change Items

### 1. WISCONSIN DEVELOPMENT RESERVE FUND RATIO [LFB Paper 1005]

**Governor:** Reduce the amount required to be maintained in the Wisconsin Development Reserve Fund (WDRF) by increasing the reserve ratio to require one dollar in the cash balance for every \$5.50 in total outstanding guarantees (rather than \$4.50 currently) for all guarantee programs backed by the fund, except the remaining loan to the Taliesin Preservation Commission, which would remain at a \$1 to \$4 ratio. Require WHEDA to regularly monitor the WDRF to ensure that the cash balance in the fund is sufficient to fund the remaining guarantee to Taliesin, in addition to other outstanding claims and loan guarantee programs.

**Joint Finance/Legislature:** Delete the reserve ratio recommendation, but adopt the requirement that WHEDA regularly monitor the WDRF to ensure that the cash balance in the fund is sufficient to fund the remaining guarantee to Taliesin, in addition to other outstanding claims and loan guarantee programs.

[Act 16 Section: 3126]

### 2. LOAN GUARANTEE PROGRAM CONSOLIDATION [LFB Paper 1005]

**Governor:** Delete the individual maximum guarantee authority for the agribusiness, credit relief outreach program (CROP), farm asset reinvestment (FARM), recycling and small business loan guarantee programs that are backed by the WDRF. Replace the individual guarantee authority with an aggregate maximum guarantee authority of the total principal amount or total outstanding guaranteed principal amount of \$62 million, excluding the outstanding amount of a remaining loan to Taliesin. Further, allow WHEDA to request the Joint Committee on Finance to authorize an increase or decrease in the \$62 million aggregate guarantee authority. Require approval of the Joint Committee on Finance under s. 13.10 of the statutes before any change in aggregate guarantee authority becomes effective.

The WDRF currently backs guaranteed loans made by private lenders under these separate programs, reserving funds to repay lenders for any losses from defaulted loans made under any of these guaranteed programs. The total outstanding guaranteed principal amount of loans that WHEDA can guarantee under the FARM program is limited to the lesser of \$10 million or the difference between \$30 million and the total CROP outstanding principal amount. Thus, under current law, the total outstanding principal amount of loans that may be guaranteed under both the CROP and FARM programs cannot exceed \$30 million. The recycling loan fund program (which had a total principal guarantee amount of \$10 million) was

terminated in 1993, and there are no remaining guarantees outstanding. The total principal amount of loans that can be guaranteed by WHEDA under its existing loan guarantee programs is \$53.4 million, while the allowable guarantee authority on those loans equals \$46.3 million as shown below.

#### **Prior Law Guarantee and Loan Authority**

	Maximum Guaranteed <u>Amount of Loans</u>	Maximum Principal Amount <u>of Loans</u>
CROP/FARM	\$27,000,000	\$30,000,000
Small Business	14,270,000	17,837,500
Agribusiness	<u>5,000,000</u>	<u>5,555,556</u>
Total	\$46,270,000	\$53,393,056

Under current law, WHEDA may request the Joint Committee on Finance to authorize an increase or decrease in the guarantee authority for any of the individual programs. The Authority must then receive the approval of the Joint Committee on Finance under s. 13.10 of the statutes before any change in guarantee authority becomes effective.

**Joint Finance/Legislature:** Set the aggregate, maximum guarantee authority at \$49.5 million instead of \$62 million. Further, require WHEDA, in its annual WDRF balance transfer report to the Joint Committee on Finance, to recommend for approval annual target caps for each of its guarantee programs, and allow WHEDA to modify the target caps, subject to Joint Finance 14-day passive review authority under s. 16.505/.515.

**Veto by Governor [B-129]:** Delete the Joint Finance provision that would have required WHEDA, in its annual WDRF balance transfer report to the Joint Committee on Finance, to recommend for approval annual target caps for each of its guarantee programs, and allowed WHEDA to modify the target caps, subject to the Joint Finance 14-day passive review authority under s. 16.505/.515.

[Act 16 Sections: 3100 thru 3102, 3110, 3111 and 3114 thru 3125c]

[Act 16 Vetoes Section: 3125c]

### **3. EXPAND SMALL BUSINESS LOAN GUARANTEE PROGRAM [LFB Paper 1005]**

**Governor:** Allow WHEDA to guarantee loans under the small business loan guarantee program for direct or related expenses, including the purchase or improvement of land, buildings, machinery, equipment or inventory, associated with the start-up of a small business in a vacant storefront in the downtown area of a "rural community" (a city, town or village with

a population of less than 50,000). Under current law, loan proceeds may be used for the start-up of a day care or the expansion or acquisition of an existing small business.

**Joint Finance/Legislature:** Redefine a "rural community" as a city, town or village that either has a population of 12,000 or less or is located in a county with a population density of less than 150 persons per square mile.

[Act 16 Sections: 3099, 3103 thru 3109, 3112, 3113 and 9426(1)]